

Message Text

PAGE 01 STATE 122290

11

ORIGIN EB-03

INFO OCT-01 SS-14 ISO-00 EUR-08 SP-02 L-01 INR-05 IO-03

SAM-01 /038 R

DRAFTED BY EB/OF/FPD:MPBOERNER:JV

APPROVED BY EB/ORF:JLKATZ

EUR/SOV:M KOVNER

C;WSHINN

USDA:REBELL

S/S:LCJOHNSTONE

----- 060982

P R 250531Z MAY 75

FM SECSTATE WASHDC

TO AMEMBASSY MOSCOW PRIORITY

INFO AMEMBASSY LONDON

C O N F I D E N T I A L STATE 122290

LIMDIS

E.O. 11652: GDS

TAGS:EAGR, UR

SUBJECT: SOVIET ATTITUDE ON PROPOSALS FOR AN INTERNATIONAL
SYSTEM

1. SUMMARY: SOVIET EMBASSY OFFICIALS ON INSTRUCTIONS
FROM MOSCOW CALLED ON DEPT ASST SECY KATZ MAY 23 AND
GAVE PRELIMINARY SOVIET REACTIONS TO IDEA OF AN
INTERNATIONAL SYSTEM OF GRAIN RESERVES, SUMMARIZING
THEIR POSITION AS ONE "HEALTHY SKEPTICISM" AND FURTHER
EXPLORATION OF IDEAS INVOLVED. SOVIETS ARE LEANING
TOWARD RESERVES ARRANGEMENT WHICH WOULD BE VOLUNTARY
IN CHARACTER, HAVE BROAD RATHER THAN LIMITED MEMBERSHIP,
AND WHICH WOULD BE ESTABLISHED VIA SOME EXISTING
INTERNATIONAL MACHINERY BUT APART FROM ARRANGEMENTS
ON WHEAT TRADE UNDER THE INTERNATIONAL WHEAT AGREEMENT.
CONFIDENTIAL

PAGE 02 STATE 122290

THEY CLEARLY REGARDED FOOD AID AS A MATTER SEPARATE FROM
ANY RESERVES ARRANGEMENTS.

2. AT CONCLUSION OF MEETING, KATZ RAISED SUBJECT OF

RECENT PUBLICITY ON POSSIBLE SOVIET GRAIN PURCHASES
AND STRESSED CONTINUED OFFICIAL US INTEREST IN ADVANCE
INFORMATION ON GENERAL SCOPE OF SOVIET BUYING INTENTIONS

IN ADVANCE OF ANY LARGE SPECIFIC PURCHASES. EMBASSY
AUTHORIZED TO MAKE SIMILAR APPROACH IN MOSCOW, IF IT
CONSIDERS THIS APPROPRIATE. END SUMMARY.

3. AT THEIR REQUEST, SOVIET EMBASSY MINISTER VASEV,
COUNSELOR BUGROV, AND SOVIET TRADE DELEGATION REP
KRUGLOV CALLED ON DEP ASST SECRETARY KATZ MAY 23. VASEV
SAID THAT HE HAD RECEIVED REACTION FROM MOSCOW TO
HIS EARLIER DISCUSSION ON MARCH 16 WITH ASST SECY ENDERS
AND WISHED TO PRESENT THIS AS WELL AS SEEK FURTHER
CLARIFICATION OF US POSITION ON RESERVES. KATZ NOTED
IN RESPONSE TO LATTER POINT THAT US HAD FURTHER
CLARIFIED ITS THINKING ON ELEMENTS TO BE INCLUDED IN
A RESERVES AGREEMENT. THESE WERE SET FORTH IN
SECRETARY KISSINGER'S MAY 13 KANSAS CITY SPEECH, BUT
WE WERE STILL ELABORATING OUR POSITION ON THESE AND
A NUMBER OF OTHER QUESTIONS RELATING TO A RESERVE
AGREEMENT AND ON MANY STILL HAD OPEN MIND. WE EXPECTED
FURTHER INTERNATIONAL DISCUSSION WOULD AID EVOLUTION
OF US THINKING. WE REGARDED INTERNATIONAL WHEAT COUNCIL
AS ON BALANCE MOST APPROPRIATE PLACE FOR NEGOTIATIONS,
ALTHOUGH OTHER FORUMS SUCH AS MTN OR FAO ALSO POSSIBLE.
WE TENDED TO FAVOR AGREEMENT LIMITED TO WHEAT AND RICE,
BUT OPTIONS WITH BROADER COVERAGE INCLUDING FEEDGRAINS
ALSO EXISTED. THE SIZE OF THE RESERVE WAS OBVIOUSLY
A MATTER FOR NEGOTIATION; OUR CALCULATIONS BASED ON
CONCEPT OF 95 PERCENT COVERAGE OF SHORTFALLS LED US
EARLIER TO MENTION FIGURE OF UP TO 60 MILLION TONS
FOR ALL GRAINS, AND 30-40 MILLION TONS FOR WHEAT
AND RICE ALONE. ON THE QUESTION OF RIGHTS AND
OBLIGATIONS OF PARTICIPANTS, WE WERE INTERESTED
IN SEEING THAT THE BURDEN WAS SHARED EQUITABLY, WITH
THE US ITSELF PREPARED TO HOLD A REASONABLY SIZEABLE
CONFIDENTIAL

PAGE 03 STATE 122290

AMOUNT OF THE RESERVE. THOSE WHO PARTICIPATED IN THE
AGREEMENT SHOULD HAVE ACCESS TO SUPPLIES IN SHORTAGE
SITUATIONS; THE SECRETARY HAD MADE THIS POINT IN HIS
SPEECH IN KANSAS CITY. THE US LEANED TOWARD QUANTITATIVE
RATHER THAN PRICE TRIGGERS FOR A RESERVES AGREEMENT.
IT WOULD DEPEND UPON MANY FACTORS SUCH AS CAPACITY
TO FINANCE STOCKS, DEGREE OF TRADE INVOLVED, ETC.

4. VASEV SAID THAT HE APPRECIATED THIS FURTHER
CLARIFICATION. HE SAID THAT MOSCOW HAD ALSO LOOKED
AT THESE QUESTIONS AND HE WISHED TO PRESENT THEIR
INITIAL REACTIONS. FIRST, IT HAD TO BE SAID THAT
SINCE THE IDEA OF RESERVES WAS STILL NOT SUFFICIENTLY

DEVELOPED, IT WAS NOT POSSIBLE TO FORMULATE ANY SOVIET POSITIONS ON ANY SPECIFICS OF AN AGREEMENT. BUT A

NUMBER OF GENERAL COMMENTS COULD BE MADE. REGARDING PARTICIPANTS IN AN AGREEMENT, THE SOVIETS FELT THAT AN ATTEMPT TO DRAW TOO NARROW A BASE FOR THE AGREEMENT WOULD BE REGARDED BY NON-PARTICIPANTS AS AN ATTEMPT TO IGNORE THEIR INTERESTS. A SECOND POINT WAS THAT THE KEY TO SOLVING THE WORLD'S FOOD PROBLEM LAY IN INCREASING PRODUCTION IN DEVELOPING COUNTRIES; WHEN THIS WAS ACCOMPLISHED IT WOULD CREATE MORE FAVORABLE CONDITIONS FOR CONDUCTING GRAIN TRADE. THE SOVIETS CONSIDERED INTERNATIONAL WHEAT AGREEMENT AS MOST SUITABLE INSTRUMENT FOR REGULATING THE INTERNATIONAL GRAIN MARKET, AND DID NOT FAVOR IDEA OF CREATING ANY NEW INTERNATIONAL MECHANISMS IN THIS AREA. ANOTHER POINT WAS THAT THE USSR DID NOT BELIEVE THAT A INTERNATIONAL RESERVES SYSTEM SHOULD BE TIED IN WITH A NEW INTERNATIONAL WHEAT AGREEMENT; A RESERVES SYSTEM SHOULD NOT ADVERSELY AFFECT THE GENERAL CHARACTER OF WORLD TRADE IN GRAINS, MOVEMENT OF INTERNATIONAL PRICES OR THE CHARACTER AND SCOPE OF TRADE TRANSACTIONS. SUCH A SYSTEM SHOULD BE OF A VOLUNTARY NATURE. VASEV MENTIONED SOVIETS OWN BI-LATERAL FOOD AID EFFORTS AND IMPLIED THAT THEY CONSIDERED FOOD AID OUTSIDE PURVIEW OF RESERVES ARRANGEMENTS. VASEV STRESSED THAT THIS SOVIET POSITION NOT BASICALLY NEGATIVE TOWARD RESERVES, BUT ONE OF HEALTHY SKEPTICISM WHICH DICTATED FURTHER CONFIDENTIAL

PAGE 04 STATE 122290

EXPLORATION BY SOVIETS OF CONCEPTS INVOLVED.

5. KATZ SAID THAT WE COULD AGREE WITH MUCH OF WHAT SOVIETS HAD SAID. RESERVES AND FOOD AID WERE NOT THE ANSWER TO THE WORLD'S FOOD PROBLEM; ITS BASIC SOLUTION HAD TO BE FOUND IN INCREASING PRODUCTION IN THE DEVELOPING COUNTRIES. BUT PROBLEMS OF PRODUCTION SHORTFALLS EVERY FEW YEARS STILL HAD TO BE ADDRESSED, AND THIS WAS WHERE WE THOUGHT RESERVES WERE NEEDED. REGARDING SOVIET DISTINCTION BETWEEN NEW IWA AND RESERVES ARRANGEMENT, THEY WERE ADMITTEDLY NOT THE SAME, BUT THEY ARE RELATED; FOR EXAMPLE, RESERVES WOULD HAVE A BENEFICIAL STABILIZING EFFECT OF PRICES. KATZ NOTED THAT THE QUESTION OF THE DEGREE OF COMMITMENT WHICH A RESERVES AGREEMENT SHOULD CONTAIN WAS A POINT STILL UNDER DISCUSSION WITHIN THE US GOVERNMENT; HE NOTED THAT SECRETARY KISSINGER IN HIS KANSAS CITY SPEECH HAD REFERRED TO "AGREED INTERNATIONAL

RULES OR GUIDELINES" AND A "CLEAR PRESUMPTION THAT ALL MEMBERS WOULD MAKE RESERVES AVAILABLE WHEN NEEDED".

5. VASEV SAID THAT THE DISCUSSION WAS USEFUL AND THAT THE SOVIETS FELT IT WOULD BE USEFUL TO CONTINUE OUR CONTACTS ON THE RESERVES ISSUE. KATZ AGREED. HE SAID THAT OUR TIMETABLE WAS TO PARTICIPATE IN THE IWC PREPARATORY GROUP MEETING IN LONDON NEXT WEEK, AND HOPEFULLY BE READY TO TABLE AT THE IWC COUNCIL MEETING IN JUNE, OR POSSIBLY JULY, NOT THE TEXT OF AN AGREEMENT, BUT SOME IDEAS OF WHAT IT SHOULD CONTAIN. HE NOTED THAT SECRETARY KISSINGER HAD STATED IN HIS SPEECH THAT WE HAD A TARGET FOR NEGOTIATING THE OUTLINES OF AN AGREEMENT BY THE END OF THIS YEAR.

7. KATZ SAID THAT HE WISHED TO RAISE ONE OTHER ISSUE CONCERNING GRAINS. HE NOTED THAT THERE HAD BEEN CONSIDERABLE PUBLICITY IN RECENT DAYS ON THE POSSIBILITY THAT THE SOVIETS IN THE NEAR FUTURE MIGHT BUY US GRAINS. HE WISHED TO SAY AGAIN THAT IT WOULD BE VERY DESIRABLE
CONFIDENTIAL

PAGE 05 STATE 122290

IF THE SOVIETS COULD GIVE US SOME INDICATION AT AN EARLY TIME OF WHAT THEIR GENERAL EXPECTATIONS WERE CONCERNING PURCHASES IN THE US. THE US CROP OUTLOOK WAS GENERALLY QUITE GOOD, ESPECIALLY WHEAT. BUT THE LACK OF RESERVES CREATED A SITUATION OF GREAT SENSITIVITY REGARDING LARGE PURCHASES BY OTHERS. THE US WAS NOT ASKING FOR INFORMATION ON THE EXACT SIZE OF ORDERS OR ON WHAT COMPANIES THE SOVIETS INTENDED TO PURCHASE FROM, BUT RATHER AN ADVANCE INDICATION OF THE ORDERS OF MAGNITUDE INVOLVED. THIS INFORMATION WOULD OF COURSE BE TREATED HIGH CONFIDENTIALLY.

8. VASEV SAID THAT HE WAS NOT IN A POSITION TO MAKE ANY COMMENT ON THE SUBJECT OF POSSIBLE SOVIET PURCHASES. HE WAS NOT AWARE OF ANY DEVELOPMENTS IN THIS AREA.

9. FOR MOSCOW: IF EMBASSY BELIEVES IT WOULD BE USEFUL TO RAISE ISSUE OF POSSIBLE SOVIET PURCHASES OF US GRAIN ALONG LINES DISCUSSED IN PARA 7 ABOVE WITH APPROPRIATE SOVIET OFFICIALS IN MOSCOW, YOU ARE AUTHORIZED TO DO SO AND MAY REFER TO KATZ-VASEV CONVERSATION. KISSINGER

CONFIDENTIAL

<< END OF DOCUMENT >>

Message Attributes

Automatic Decaptioning: Z
Capture Date: 26 AUG 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: GRAINS, STOCKPILES, GOVERNMENT REACTIONS, INTERNATIONAL ORGANIZATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 25 MAY 1975
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ShawDG
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975STATE122290
Document Source: ADS
Document Unique ID: 00
Drafter: EB/OF/FPD:MPBOERNER:JV
Enclosure: n/a
Executive Order: 11652 GDS
Errors: n/a
Film Number: D750183-1136
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t197505103/baaaakts.tel
Line Count: 210
Locator: TEXT ON-LINE, TEXT ON MICROFILM
Office: ORIGIN EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: LIMDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: LIMDIS
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: ShawDG
Review Comment: n/a
Review Content Flags:
Review Date: 18 JUN 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <18 JUN 2003 by izenbei0>; APPROVED <22 OCT 2003 by ShawDG>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: n/a
TAGS: EAGR, UR
To: MOSCOW INFO LONDON
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006